



BUSINESS TIMES

THE TIMES OF INDIA NEW DELHI MONDAY FEBRUARY 8, 1993

Economists favour phased cut in duty

NEW DELHI, February 7 (PTI): Economists and captains of industry favour a phased reduction of customs duty compared to Chelliah committee recommendations of a drastic cut in import tariff to be effected in the next four years.

A cross-section of economists and industrialists were concerned about the fate of large segments of Indian industry brought up in a sheltered and protected environment in the event of a sharp reduction in customs duty.

While the industrialists advocated a level playing field and called for a proportionate cut in excise duty, the economists were concerned about fiscal implications of a cut in levies.

The Chelliah committee has recommended a ceiling of 50 per cent duty on non-essential consumer goods and 30 per cent on other goods to be effected by 1996-97, or latest by 1997-98, against the existing ceiling of 110 per cent.

The ASSOCHAM president, Dr N M Dhuldhoya, is of the view that external trade liberalisation by way of tariff reductions may pose a serious threat to the Indian industry working under the strain of recessionary trends.

Opening up of the economy to overseas competition will further delay the process of industrial revival, Dr Dhuldhoya says, adding an important constraint immediately after such a Tariff reform will be revenue loss.

The FICCI president, Mr Kantikumar Poddar, lays stress on a phased lowering of import tariff and the provision of a level playing field for the Indian industry. A reduction in customs duty should, therefore, be accompanied by a lowering of excise and other duties to give the Indian entrepreneurs "a cutting edge".

CAREFUL STUDY: Veteran economist, Dr Malcolm Adiseshiah, of the Madrs Institute of Development Studies says the effect of the excise duty reduction,

already announced, particularly in regard to import intensity, should be carefully studied and made known to Parliament and public.

COUNTER-PRODUCTIVE:

Prof J D Agarwal of the Indian Institute of Finance is of the view that reduction of customs duty to the international level in three years as envisaged in 1992-93 budget will prove to be counter-productive and would destroy the over-protected Indian industry.

Tariff reduction should be brought about slowly and in collaboration with the industry, allowing it to upgrade itself technologically to compete with its international counterparts.

Mr D N Patodia, noted economist and an industrialist, says Indian industry must not in any event be discriminated against foreign competitors.

Plea to restore depreciation rates

By Business Times Staff

NEW DELHI, February 7: Confederation of Indian Industry (CII) in its pre-budget memorandum has advocated for the restoration of depreciation rate to its earlier level of 33.33 per cent. CII states that finance No (2) Act, 1991 has negated the market oriented reform unleashed by the industrial and trade policies, according to a press release.

Over the last few years, CII claims, government had maintained some parity between depreciation allowance, investment allowance and corporate tax rates. The present combination is the worst possible one, namely depreciation in plant and machinery 25 per cent, corporate tax rate 51.75 per cent and investment allowance nil.

CII reiterates that for the capital goods industry to be internationally competitive it must be given incentives through appropriate fiscal measures.